40 (a) forbids during that period the deduction as bad debts of obligations which are the result of intercompany transactions. The payment of the liquidating dividends was made during the return period and was the last step leading up to the action of directors and stockholders for the dissolution of the subsidiaries. The amount handed over by the Springer Company was less than petitioner's advances to it, but the amount paid by the Roy Company was greater than the advances to it. Undoubtedly the obligation of the subsidiaries in respect of the advances would be held to be intercompany accounts receivable quite independently of the regulations.

But a word is necessary as to the subsidiaries' obligations to the petitioner as stockholder. The record does not disclose whether the latter obtained the stock directly from the issuing corporations or purchased from others. Without regard to the manner of acquisition, the amount paid constituted investment in the subsidiaries. And, as it was the owner of all the shares of the subsidiaries, petitioner will be deemed to have directed all their activities in the unitary business and as well the steps taken for their liquidation and dissolution. They were liable to it alone for the balances remaining after payment of the amounts owed others, and it was equally entitled whether claiming as lender or shareholder. Under the circumstances, it reasonably may be held that their obligation in respect of petitioner's stock ownership resulted from intercompany transactions within the meaning of Article 40 (a). Petitioner rightly says, as does respondent, that the amounts paid for the stock and the advances later made to the subsidiaries stand on the same footing. But its contention that the transactions out of which the claimed losses arose did not occur during the consolidated return period cannot be sustained. Petitioner is therefore not entitled to deduct them from its 1929 income.

3. The allowance claimed would permit petitioner twice to use the subsidiaries' losses for the reduction of its taxable income. By means of the consolidated returns in earlier years it was enabled to deduct them. And now it claims for 1929 deductions for diminution of assets resulting from the same losses. If allowed, this would be the practical equivalent of double deduction. In the absence of a provision of the Act definitely requiring it, a purpose so opposed to precedent and equality of treatment of taxpayers

will not be attributed to lawmakers. Cf. *Burnet* v. *Aluminum Goods Co.*, 287 U. S. 544, 551. *United States* v. *Ludey*, 274 U. S. 295, 301. There is nothing in the Act that purports to authorize double deduction of losses or in the regulations to suggest that the commissioner construed any of its provisions to empower him to prescribe a regulation that would permit consolidated returns to be made on the basis now claimed by petitioner.

In *Remington Rand, Inc.* v. *Commissioner*, 33 F. (2d) 77, the Circuit Court of Appeals for the Second Circuit held a subsidiary company's accumulated earnings on stock sold to a parent company could not be added to the cost of the stock in determining taxable gain arising on the latter's sale to outsiders. In *United Publishers' Corporation* v. *Anderson*, 42 F. (2d) 781, a district court in the same circuit, deeming the *Remington Rand* case applicable, held that a parent corporation filing consolidated returns showing losses of a subsidiary during earlier years could nevertheless deduct loss on the sale of the subsidiary's stock. Petitioner insists that same principle governs both decisions and that therefore the deduction should be allowed. But the analogy is not good. Where all the members gain, total taxable income is the same on a consolidated return as upon separate ones. But where as in the case before us the subsidiaries lose and the parent gains, the losses of the former go in reduction of the taxable income of the latter. Considerations that justify inclusion of the profits made by all the members do not support the double deduction claimed.

The weight of authority is against petitioner's contention. *Barnet* v. *Riggs Nat. Bank*, 57 F. (2d) 980. *Commissioner* v. *Apartment Corp.*, 67 F. (2d) 3. *Summerfield Co.* v. *Commissioner*, 29 B. T. A. 77. *National Casket Co.* v. *Commissioner*, 29 B. T. A. 139. No decision other than that of the district court in *United Publishers' Corporation* v. *Anderson*, *supra*, gives any support to its claim. Cf. *Burnet* v. *Imperial Elevator Co.*, 66 F. (2d) 643. *McLaughlin* v. *Pacific Lumber Co.*, 66 F. (2d) 895.

Affirmed.

A true copy.

Test:

Clerk, Supreme Court, U. S.